

VZCZCXRO9040  
RR RUEHLMC  
DE RUEHMU #1032 2252225  
ZNR UUUUU ZZH  
R 122225Z AUG 08  
FM AMEMBASSY MANAGUA  
TO RUEHC/SECSTATE WASHDC 3018  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS MANAGUA 001032

SENSITIVE  
SIPDIS

STATE PASS OPIC AND IAF

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [PGOV](#) [PREL](#) [NU](#)

SUBJECT: MASSIVE BLAZE LEVELS HEART OF MANAGUA MARKET, MORE BAD NEWS FOR MICROFINANCE

REF: MANAGUA 932

**¶1.** (U) Summary and Introduction. On July 31 a massive fire destroyed over one-third of Managua's Eastern Market, reportedly the largest outdoor dry goods market in Central America. According to media reports, over 1,500 small businesses were destroyed or damaged. Many of these family-owned businesses depend on microfinance institutions (MFI), which in turn have offered to restructure debts, extend terms of payment, or to negotiate mutually acceptable alternatives. The fire's timing is particularly unfortunate given recent violent riots in northern Nicaragua against microfinance institutions, which followed inflammatory rhetoric on the part of President Ortega (reftel). End Summary and Introduction.

**¶2.** (U) On July 31 a massive fire erupted in Managua's Eastern Market center, home to its biggest distributors who also supply other Nicaraguan markets. If normal operations are not quickly resumed, the larger economy could experience distribution problems and potential shortages. Politicians have sought to capitalize on the disaster. President Ortega, FSLN-mayoral candidate Alexis Arguello and Vamos Con Eduardo-Constitutional Liberal Party (VCE-PLC) mayoral candidate Eduardo Montealegre made well-publicized visits to the area, promising aid to the victims of the blaze.

**¶3.** (U) Total losses from this fire remain unclear, though a local representative from a prominent MFI, Financiera Nicaraguense de Desarrollo (FINDESA), told us they could well exceed \$30 million. FAMA, another large Nicaraguan MFI with numerous Eastern Market clients, has begun to renegotiate debt so its clients can recover from the disaster. Victor Telleria, FAMA General Manager, appeared on Channel 2's morning news program on August 5 and stressed the need to customize each solution according to the client. Some businesspeople lost 100% of their merchandise, while others had warehouses where they had stored a large part of their inventory. Others were victims of looting during the chaos which ensued during the blaze.

**¶4.** (U) Immediately following the fire, Telleria said FAMA decided to freeze interest payments, which in many cases are due on a monthly basis. Telleria said priority one is to reorganize the market so that merchants can get back to business; financial institutions will not be able to provide loans until shops are physically relocated. FINDESA's representative said the GON's role, along with the municipality of Managua, is pivotal to the reconstruction of the Mercado infrastructure.

**¶5.** (U) FAMA will ask the GON to use a portion of the Nicaraguan Investment Fund (FNI) to assist by subsidizing interest rates. Telleria added that the GON's "Zero Usury" program can provide 0% interest because it is subsidized, but this is not an option for private institutions. He opined that President Ortega--along with his advisors--have scant knowledge about microfinance markets.

¶6. (SBU) Comment: The damage to the Eastern Market and its recovery is already becoming a political football. Merchants are already vocally complaining that they have not received reconstruction loans yet. At the same time, many are complaining about plans by the Managua city government to push access roads into the market to be able to deal better with any future fire (the roads would come at the expense of some stall-holders' properties). In this turbulent environment, we suspect that the GON's preference for using its "Zero Usury" program for reconstruction may in part be motivated by a desire to acquire closer political control of this economically vital entity as it staggers back to its feet.

SANDERS